

Indonesian President Prabowo fires another finance minister

John Malvar
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Indonesian President Prabowo Subianto abruptly fired Finance Minister Purbaya Yudhi Sadewa on September 14, replacing him with his deputy, Suahasil Nazara. The dismissal, Prabowo's second change of finance minister in barely a year, is an expression of the mounting crisis of the administration's entire economic program.

Purbaya learned of his removal by telephone while attending a parliamentary hearing on the government's proposed 2027 budget. Hours later Prabowo swore in Suahasil, making him Indonesia's third finance minister since the president took office in October 2024. The presidential palace supplied no substantive explanation.

Prabowo came to office promising to transform Indonesia by boosting state expenditure. His pledges included free meals for tens of millions of children and pregnant women, three million new homes a year, food and energy self-sufficiency, expanded military expenditure and the rapid development of downstream industries—domestic plants processing raw materials such as nickel into metals, batteries and other higher-value exports.

He declared that these measures would raise annual economic growth from approximately 5 percent to 8 percent. The newly created Danantara investment agency was placed in control of hundreds of billions of dollars in state assets, while state enterprises, banks and the military were assigned an expanding role in economic life.

Prabowo clothes this program in “Pancasila economics,” the language of Indonesian nationalism dating back to Sukarno, and invokes Article 33 of the 1945 Constitution, which mandates state control over strategic industries and natural resources. Its premise is that Indonesia's wealth “leaks” abroad and must instead be mobilized by a strong state for national development.

Behind this rhetoric lies not hostility to foreign capital, but an attempt to secure more favorable terms for the Indonesian state and oligarchy. The nickel-processing industry depends overwhelmingly on Chinese investment and technology. Danantara, the sovereign wealth fund created by Prabowo to control some \$900 billion in state assets and direct investment into strategic projects, likewise seeks foreign capital and commercially profitable returns. Prabowo's economic nationalism aims to increase state control over investment and retain a larger share of resource revenues within Indonesia.

The program immediately collided with a fundamental contradiction. Prabowo promised greatly increased expenditure without substantially taxing the oligarchy or challenging the fiscal

straitjacket imposed by the IMF in the aftermath of the 1997–98 Asian financial crisis.

The strictures of the IMF program were subsequently written into Indonesian law. As Jakarta prepared to leave the program in 2003, the State Finances Law capped the annual budget deficit at 3 percent of GDP and government debt at 60 percent. What had been imposed as external conditionality was thus retained as a permanent domestic guarantee to international finance.

Prabowo initially retained Sri Mulyani Indrawati as finance minister as a guarantee to international capital. Over more than 13 years in the post under three presidents—Susilo Bambang Yudhoyono, Joko Widodo and Prabowo—she provided continuity in fiscal policy across successive administrations.

Sri Mulyani was the essential interface between the Indonesian state and global finance. She moved from the IMF executive board into President Yudhoyono's cabinet, left in 2010 to become managing director and chief operating officer of the World Bank, and returned as President Jokowi's finance minister in 2016. A leading figure of the international financial establishment, she enforced its fiscal demands in Indonesia.

To fund Prabowo's priorities without breaching the deficit ceiling, Sri Mulyani imposed Rp306.7 trillion in sweeping “efficiency” cuts in early 2025. The reductions hit ministries, universities, regional governments and public services, while money was redirected to Prabowo's free-meals program and Danantara.

The cuts triggered nationwide student demonstrations in February 2025 under the banner Indonesia Gelap, or “Dark Indonesia.” Protesters opposed the diversion of funds from education, health and other public services to Prabowo's free-meals scheme, which was being implemented with little transparency and extensive military involvement. They warned that the cuts would raise tuition fees, eliminate scholarships and further erode teachers' pay.

Far larger protests erupted in August 2025. They began over parliamentarians' new monthly housing allowance of Rp50 million—almost 10 times the Jakarta minimum wage—but rapidly became an outlet for accumulated anger over austerity, mass layoffs, rising prices, corruption and parliamentary privilege.

The unrest spread to at least 32 of Indonesia's 38 provinces after Brimob police crushed 21-year-old motorcycle taxi driver Affan Kurniawan beneath an armoured vehicle during a crackdown outside parliament. State repression left at least eight people dead

and thousands arrested. Prabowo responded with limited concessions on lawmakers' perks while instructing the police and military to "act firmly" against demonstrators.

Sri Mulyani was abruptly dismissed on September 8, 2025, amid this crisis. She reportedly received about one hour's notice. Her removal expressed Prabowo's attempt to accelerate his program by loosening the restraints imposed by the Finance Ministry.

Her replacement, Purbaya, aggressively promoted growth through expanded liquidity and expenditure. He transferred Rp200 trillion in government funds into state-owned banks to stimulate credit and sought to extract increased revenue from the tax and customs agencies without introducing politically explosive new taxes.

The underlying contradictions only intensified. In 2025 the budget deficit reached 2.92 percent of GDP—its highest level in more than two decades outside the pandemic and pushing the state to the edge of the 3 percent legal ceiling. The rupiah slid to record lows, while Moody's and Fitch cut Indonesia's sovereign outlook to negative, citing growing fiscal risks and the erosion of policy predictability under Prabowo's administration.

The US-Israeli war against Iran placed the Indonesian budget under additional pressure. The effective closure of the Strait of Hormuz sent world oil prices above \$100 a barrel, while the government's 2026 budget had assumed an average price of \$70. Indonesia is a net oil importer and had allocated Rp381.3 trillion for energy subsidies and compensation to state energy companies.

The administration initially promised to absorb the increase through the budget. It introduced fuel rationing, cut official travel and reduced free school meals by one day a week. In June, however, the state energy company Pertamina raised the price of two widely used grades of non-subsidized gasoline by approximately 32 percent.

The fuel-price hike triggered a new wave of largely student-led protests under the slogan "Heading to Bankrupt Indonesia." Rallies spread from Jakarta to Bandung, Surabaya, Medan, Semarang and other cities, adding to the diffuse but intensifying social anger over the cost of living, precarious employment and the privileges of the political elite.

Layers of student leaders and commentators presented in the press as the movement's spokespeople framed their demands in the language of fiscal prudence, calling for lower fuel and food prices and attacking "wasteful" government programs—above all free meals and village cooperatives—as the cause of mounting budget pressures.

Prabowo's flagship free-meals scheme has become a central target of popular anger. Mass food-poisoning outbreaks linked to the program have already affected more than 50,000 people nationwide; in one week at the start of September nearly 2,000 students and teachers fell ill, prompting parents' groups to demand criminal investigations and the suspension of unsafe kitchens. The National Nutrition Agency has now closed almost 2,000 kitchens for hygiene violations.

The original 2026 meals allocation of Rp335 trillion was reduced first to Rp268 trillion and then to Rp229 trillion. The cuts exposed the administration's retreat from the most expansive promises through which Prabowo claimed that his economic nationalism

would benefit the population.

Purbaya was tasked with an impossible balancing act: to deliver sharply higher state revenue without openly raising taxes or slashing Prabowo's flagship programs. On September 10, he set out to "streamline" revenue collection by attacking corruption and leakage in the tax and customs apparatus, ordering the rotation of around 400 officials. Prabowo's own appointees inside the revenue agencies resisted and appealed directly to the president; four days later, on September 14, Purbaya was removed. Their clash was only the immediate form of a deeper crisis—the attempt to fund an increasingly untenable program within the strict limits imposed by the IMF.

Purbaya was not removed because he opposed Prabowo's agenda. He was one of its most forceful advocates. He was dismissed after the effort to secure the necessary revenue and liquidity produced bureaucratic conflict, frightened international investors and failed to resolve the widening gap between government promises and available resources.

Suahasil Nazara has been installed to stabilize this arrangement. A longtime Finance Ministry technocrat who served under Sri Mulyani, he has pledged policy continuity while emphasizing a "healthy and credible" budget, predictable communication and strict observance of the 3 percent deficit ceiling.

The government's proposed 2027 budget targets a deficit of 2.4 percent of GDP and growth of 6 percent, well below Prabowo's repeated promise of 8 percent. Total expenditure will continue to rise, but more slowly, while the free-meals program has been allocated Rp240.2 trillion—still an enormous sum, but far below the cost of Prabowo's original universal plan.

Suahasil's appointment does not mark the abandonment of Prabowo's economic nationalism. It represents an attempt to make it acceptable to international finance by scaling back its social promises, imposing austerity elsewhere and preserving its authoritarian core: Danantara, the state corporations, the expansion of the military and the concentration of economic authority in the presidency.

Prabowo's coalition controls 470 of parliament's 580 seats. With virtually no institutional opposition, public discontent has repeatedly erupted in widespread but politically diffuse demonstrations over education cuts, living costs, elite privilege, police violence, fuel prices, military encroachment and the disastrous meals program.

The revolving door at the Finance Ministry expresses this mounting instability. Sri Mulyani enforced the demands of international finance too rigidly for Prabowo's ambitions. Purbaya pursued those ambitions too aggressively and collided with the president's own network. Suahasil is now tasked with reconciling promises that cannot be reconciled: massive state expenditure, fiscal austerity, investor confidence and mounting demands from the Indonesian population.



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